

**CORPORATE SOCIAL RESPONSIBILITY AND COMPETITIVE  
ADVANTAGE BY COMMERCIAL BANKS IN KENYA**

**BY  
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**A Research Project Submitted In Partial Fulfillment of the Requirement for the  
Award of the Degree of Master of Business Administration, School of Business,  
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## **DECLARATION**

### **STUDENT'S DECLARATION**

I declare that this project is my original work and has never been submitted for a degree in any other university or college for examination/academic purposes.

Signature: .....Date:

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### **SUPERVISOR'S DECLARATION**

This research project has been submitted for examination with my approval as the University Supervisor.

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## **DEDICATION**

I dedicate this work to my beloved Husband Rodgers and all those who supported me in the completion of this project.

## **ACKNOWLEDGEMENTS**

I take this opportunity thank the Almighty God for seeing me through the completion of this project.

The work of carrying out this study needed adequate preparation and therefore called for collective responsibility of many personalities. While it is not possible to name all of them, recognition has been given to a few. I am greatly indebted to my supervisor Dr. Justus Munyoki for his professional guidance, advice and unlimited patience in reading through my drafts and suggesting workable alternatives, my profound appreciation to him.

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## **ABSTRACT**

Corporate Social Responsibility (CSR) refers to operating a business in a manner that accounts for the social and environmental impact created by the business. Strategic decisions of large companies involve social as well as economic consequences, which are intimately connected. Commercial banks in Kenya operate in a dynamic environment characterized by technological changes, competition, regulatory requirements, economic changes and opportunistic strategic decisions. CSR programmes are applicable to virtually all organizations and banks are more sensitive to these programmes as they have to strive to satisfy a multiplicity of stakeholders. The objective of this study was to determine the influence of Corporate Social responsibility as a strategy on the Competitive Advantage of the commercial banks in Kenya. This study used descriptive research design. The population of this study comprised all Banks that were in operation in Kenya by December 2012 whereby a census was conducted. The study used both primary and secondary data. Primary data was collected using a semi structured questionnaire; the questionnaires were administered to Corporate Affairs Managers of the banks. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS and presented through percentages, means, standard deviations and frequencies. The findings of this study established that CSR increased customer awareness of the core function and products offered, improved the level of customer loyalty, improved the Bank's product marketability, diversification, reduced the marketing costs and operational cost as well as promotion of the image of the Bank. The study found out that CSR was integrated with some element of marketing the banks; it is therefore recommended that banks should ensure that CSR activities are integrated with all element of marketing the bank. Further, the study established that CSR promoted the employees' perception of the Banks, increased the interaction of the Bank with its stakeholders, promoted the relationship between the Bank and the society. The study further found out that CSR increased customer awareness of the core function and products offered, improves the level of customer loyalty, improves the Bank's product marketability, diversification, reduce the marketing costs and operational cost as well as promotion of the image of the Bank. The study findings also showed a positive correlation between corporate social responsibility and age of the Bank, ownership and number of employees. The study recommends that Banks should use CSR in order to enhance their level of competitiveness. The study therefore recommends that the banks should adopt CSR so as to increase customer awareness of the core function and products offered, improve the level of customer loyalty, improve the Bank's product marketability, diversification, reduce the marketing costs and operational cost as well as promotion of the image of the Bank. This study recommends that CSR should be adopted in order to enhance the level of competitiveness in the banks.

# TABLE OF CONTENTS

<b>ABSTRACT.....</b>	<b>V</b>
<b>TABLE OF CONTENTS.....</b>	<b>VI</b>
<b>LIST OF TABLES.....</b>	<b>VIII</b>
<b>CHAPTER ONE.....</b>	<b>1</b>
<b>INTRODUCTION.....</b>	<b>1</b>
<b>1.1. Background of the Study-----</b>	<b>1</b>
1.1.1. The Concept of Strategy.....	2
1.1.2. Competitive Advantage .....	3
1.1.3. Corporate Social Responsibility.....	4
1.1.4. The Banking Industry in Kenya .....	5
<b>1.2. Research Problem-----</b>	<b>6</b>
<b>1.3. Research Objective -----</b>	<b>8</b>
<b>1.4 Value of the Study-----</b>	<b>8</b>
<b>CHAPTER TWO.....</b>	<b>9</b>
<b>LITERATURE REVIEW.....</b>	<b>9</b>
2.1 Introduction.....	9
2.2 Theoretical Foundation .....	9
2.3 The Practice of Corporate Social Responsibility.....	12
2.4 Corporate Social Responsibility as a source of Competitive Advantage.....	13
<b>CHAPTER THREE.....</b>	<b>18</b>
<b>RESEARCH METHODOLOGY.....</b>	<b>18</b>
<b>3.1 Introduction-----</b>	<b>18</b>
<b>3.2 Research Design -----</b>	<b>18</b>
<b>3.3 Population of the Study-----</b>	<b>18</b>
<b>3.4 Data Collection-----</b>	<b>19</b>
<b>3.6 Data Analysis-----</b>	<b>20</b>
<b>CHAPTER FOUR.....</b>	<b>21</b>
<b>DATA ANALYSIS RESULTS AND DISCUSSION.....</b>	<b>21</b>
<b>4.1 Introduction-----</b>	<b>21</b>
<b>4.2 General Information-----</b>	<b>21</b>
<b>4.3 CSR Strategy on Competitive Advantage-----</b>	<b>23</b>
4.3.1 Integrated of CSR Activities with Elements of marketing.....	23
4.3.2 Customer Awareness of Core Functions.....	24

4.3.4 Level of Customer Loyalty.....	26
<b>4.4 Bank’s Products Diversification-----</b>	<b>27</b>
<b>4.5 Employees’ Perception of the Bank -----</b>	<b>29</b>
<b>4.6 Correlation Analysis-----</b>	<b>35</b>
<b>4.7 Discussion of Findings-----</b>	<b>36</b>
<b>CHAPTER FIVE.....</b>	<b>38</b>
<b>SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....</b>	<b>38</b>
<b>5.1 Introduction-----</b>	<b>38</b>
<b>5.2 Summary of the Findings-----</b>	<b>38</b>
<b>5.3 Conclusion-----</b>	<b>39</b>
<b>5.6 Recommendations -----</b>	<b>41</b>
5.6.1 Recommendations with Policy Implications.....	41
5.6.2 Area of Further Research.....	42
<b>REFERENCES.....</b>	<b>43</b>
<b>APPENDICES.....</b>	<b>I</b>
<b>APPENDIX I: LIST OF COMMERCIAL BANKS IN KENYA (SOURCE: CBK)</b>	<b>i</b>
<b>APPENDIX II: RESEARCH QUESTIONNAIRE-----</b>	<b>ii</b>
<b>Appendix III: Data Collection Letter from the University of Nairobi-----</b>	<b>iv</b>

## LIST OF TABLES

# **CHAPTER ONE**

## **INTRODUCTION**

### 1.1. Background of the Study

The strategic decisions of large companies involve social as well as economic consequences, which are intimately connected. Porter and Kramer (2006) discuss the existence of the interdependence between corporations and society, since a company's activities have a direct impact on the communities with which they work. This can lead to either positive or negative consequences. Strategists and executives should take into account societal expectations and decisions, as there can be some attractive alternatives when goodwill or services to society are considered. Decisions from the strategy formulation process should take into account the positive and negative impacts that may arise, not only for the business itself, but also for stakeholders and society in general.

According to Shahin and Zairi (2007), organizations have been involved in CSR programmes for several years. CSR involves organizational paradigm shift from traditional profit maximization objective under shareholder-value creation to stakeholder-management approaches whereby the impacts of their activities on the social constituents are taken into account (Stubbs and Cocklin, 2007). The stakeholder's (Social Contract) theory posits that organizations have social responsibilities to all their stakeholders because these stakeholders have allowed these organizations to exist and conduct their businesses in a kind of social contract (O'Brien, 1996). Such actions in society are aimed at improving the conditions of the consumers and employees without degeneration of the physical environment or subjecting the employees to inhuman working conditions.

CSR programmes are applicable to virtually all organizations and banks are more sensitive to these programmes as they have to strive to satisfy a multiplicity of stakeholders. Commercial banks in Kenya operate in a dynamic environment characterized by technological changes, competition, regulatory requirements, economic changes and opportunistic strategic decisions. The stiff competition among the various players in the banking industry has led the banks to look for more innovative ways of satisfying their stakeholders while at the same time making profit (Nwankwo, 1991).

#### **1.1.1. The Concept of Strategy**

Thompson and Stickland (2007) argue that the concept of strategy defines the various approaches that top corporate managers use to achieve a better performance of the set of business in which the organization has diversified to, with an emphasis on the role of key business managers to influence the strategic decisions. According to Pearce and Robinson (2010), managers use strategy to mean their large-scale, future-oriented plans for interacting with the competitive environment to achieve company objectives. The business scholars go on to submit that Strategy is a company's game plan. Although the plan does not precisely detail all future deployments, it does provide a framework for managerial decisions.

Strategy has got three levels (Pearce and Robinson (2010, p.5). At the top of this hierarchy is the corporate level, composed of a board of directors and the chief executive and administrative officers. They are responsible for the firm's financial performance and for achievement of non-financial goals. Therefore, this level is important as it is concerned with stakeholders and society concerns.

At the middle of the decision making hierarchy is the business level; it is composed of business and corporate managers. These managers must translate the statements of direction and intent generated at the corporate level into concrete objectives and strategies for individual business units. At the bottom is functional level, composed of managers of products, geographic and functional areas. They develop annual objectives and short term strategies in such areas as production, operations, research and development, finance and accountancy, marketing and human relations. However, their principal responsibility is to execute the firm's strategic plans, thus they address issues such as efficiency and effectiveness of production.

#### **1.1.2. Competitive Advantage**

According to Pearce and Robinson (2010), "Business managers evaluate and choose strategies that they think will make their business successful. Businesses become successful because they possess some advantage relative to their competitors" (p.259). Competitive advantage can be found in the business cost structure and its ability to differentiate the business from competitors (Hoffman, 2000). Businesses that create competitive advantage from one or both of these sources usually experience above average profitability within their industry while those that lack a cost of differentiation advantage usually experience average or below average profitability within their industry (Barney, 1991).

Competitive strategy depends on an organization's capabilities, strengths, and weaknesses in relation to market characteristics and the corresponding capabilities, strengths, and weaknesses of its competitors (Thompson and Strickland, 2006).

According to Porter, competition within an industry is driven by five basic factors namely; threat of new entrants, threat of substitute products or services, bargaining power of suppliers, bargaining power of buyers and rivalry amongst existing firms (Porter, 1985).

### **1.1.3. Corporate Social Responsibility**

Corporate Social Responsibility (CSR) may refer to operating a business in a manner that accounts for the social and environmental impact created by the business. Corporate Social Responsibility CSR policy functions as a built-in, self-regulating mechanism whereby businesses monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. The goal of CSR is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere.

According to Lea (2002), CSR can be roughly defined as the integration of social and environmental concerns in business operations, including dealings with stakeholders. Further, he states that CSR is about businesses and other organizations going beyond the legal obligations to manage the impact they have on the environment and society. In particular, this could include how organizations interact with their employees, suppliers, customers and the communities in which they operate, as well as the extent they attempt to protect the environment.

#### 1.1.4. **The Banking Industry in Kenya**

The Banking sector in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK) (CBK, 2013). The banking sector was liberalised in 1995 and exchange controls lifted. The CBK, which falls under the National Treasury docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system.

The Kenyan banking industry has 44 banks; 31 are locally owned and 13 are foreign owned. The locally owned financial institutions comprise three banks with significant shareholding by the Government and State Corporations, 27 commercial banks and one mortgage finance institution, Housing Finance (Bank Supervision Report, 2012). The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the bank's interests. KBA serves a forum to address issues affecting members. Over the last few years, the Banking industry in Kenya has continued to grow in assets, deposits, profitability and products offering. The growth has been mainly underpinned by; an industry wide branch network expansion strategy both in Kenya and in the East African community region and automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional 'off-the-shelf' banking products (CBK, 2012). Players in this industry have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market.

## 1.2. Research Problem

According to Porter (1985), an organization that is able to consistently report above average profit in the industry has a competitive advantage. According to Jones (2000), there are two broad sources of competitive advantage; the “hard” factors that include physical facilities, production schedules, type of technology employed e.t.c. and the “soft” factors that include the organizations culture, knowledge available within the organization, worker and manager experience, etc. According to European Commission (2001), Corporate Social Responsibility is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. CSR can be integrated in the organization’s strategic management process and be a source of competitive advantage (Meehan et al 2006). Such actions can lead to a change in consumer attitudes towards the organizations and the products and services that they produce and market. Negative consumer perception may lead to consumers boycotting some brands.

Commercial banks in Kenya operate in a dynamic environment characterized by technological changes, competition, regulatory requirements, economic changes and opportunistic strategic decisions. The stiff competition among the various players in the banking industry has lead the banks to look for more innovative ways of satisfying their stakeholders while at the same time making profit. Banks in Kenya have been involved in CSR programmes in the area of education and training, health, sustainable environment, sports and improving the livelihoods of vulnerable groups in society.

There have been several studies regarding the relationship between CSR and business strategy. For instance, Iraya and Jerotich (2013) studied the relationship between corporate social responsibility practices and financial performance of firms in the manufacturing, construction and allied sector of the Nairobi Securities Exchange and discovered that there was an insignificant positive relationship between corporate social responsibility practice and financial performance. In another different study, Otieno (2011) investigated into the practice of corporate social responsibility in the construction industry in Kenya and established that most of the construction firms were aware of the concept of CSR and that those who had embraced the practice had encountered various positive impacts. Muthuri (2009) came up with an integrated approach to implementing 'community participation' in corporate community involvement using lessons from Magadi Soda Company in Kenya.

These studies do not fill all the theoretical, methodological and practical gaps because despite their heavy investments in CSR initiatives, some organisations have continued to experience increased customer dissatisfaction that has reduced their competitiveness. According to a banking survey conducted between 19<sup>th</sup> and 20<sup>th</sup> of July, 2012, by Info Tract in partnership with Consumer Federation of Kenya, 39 percent of respondents expressed dissatisfaction with commercial banks citing poor services and high interest rates which did not give much thought to the interest of the consumers. It is on this basis that this study seeks to establish whether there is a link between the Practice of corporate social responsibility and competitive advantage of banks in Kenya. The study attained this by answering one research question: How does Corporate Social responsibility strategy influence the Competitive Advantage of commercial banks in Kenya?

### 1.3. Research Objective

The objective of this study was to determine the influence of Corporate Social responsibility as a strategy on the Competitive Advantage of the commercial banks in Kenya.

### 1.4 Value of the Study

Findings of this research would add to the knowledge and understanding of the area of CSR and its linkage to building social capital and reputational capital by organization. Particularly, the study would focus on investigating the strategic role that CSR activities play in yielding better organizational performance through development of intangible organizational resources (social capital/reputational capital). This study would contribute to the academic literature of strategic management by explaining how CSR activities can be helpful in developing intangible organizational resources, which subsequently results in better organizational outcomes.

Apart from theoretical and contextual contributions, the study is going to be equally important from an applied perspective. In today's highly dynamic business landscape, where managers are finding it hard to achieve and sustain a competitive advantageous position, the results of the study can certainly work as a major guiding force on their way to success in a world increasingly becoming complex, volatile and competitive with every other day.

# **CHAPTER TWO**

## **LITERATURE REVIEW**

### **2.1 Introduction**

This chapter undertakes a review literature relevant to this research with the aim of getting views and opinions on the relationship between CSR practices and firm competitiveness. The chapter specifically covers the theoretical foundation, the practice of corporate social responsibility and application of corporate social responsibility as a competitive advantage.

### **2.2 Theoretical Foundation**

The CSR debate has revolved around two hierarchal positions; namely shareholder theory and stakeholder theory (Rugimbana et al, 2008). Shareholder theory represents the classical approach to business, according to this theory a firm's responsibility rests solely with its shareholders (Cochran, 1994). On the other hand stakeholder theory argues that organizations are not only accountable to its shareholders but should balance a multiplicity of stakeholders interests (Van Marrewijk, 2003). These two competing views of the firm contrast each other so sharply that stakeholder and shareholder theories are often described as polar opposites (Shankman, 1999).

#### **2.2.1 Shareholder Theory**

According to this theory the purpose of the company is to provide return on investment for shareholders and thus corporations are seen as instruments of creating economic value for those who risk capital in the enterprise (Greenwood, 2001). It is believed that the sole

constituency of business management is the shareholders and the sole concern of shareholders is profit maximization. Any activity is justified if it increases the value of the firm to its shareholders and is not justified if the value of the firm is reduced (Cochran, 1994). Corporate expenditure on social causes represents a violation of management responsibility to shareholders to the extent that the expenditure does not lead to higher shareholder wealth (Ruf et al, 1998). Moore (1999) justifies Shareholder Theory on the basis of Property Rights and Agency theory.

In relation to shareholder theory, this implies that company managers are obliged to adhere to the objective of maximizing long-term owner value. Shareholder theory has been widely misrepresented; often quoted at its most extreme. For example, it is sometimes misstated as urging managers to do anything they can to make a profit (Smith, 2003).

Most advocates of shareholder theory quote Friedman's(1970) argument that the only social responsibility of business is to increase profits, however, many omit the latter half of his quote which argued that a firm should abide by legal and societal expectations (Carroll, 1998). Friedman (1970) believed that the only acceptable reason for engaging in CSR was if it is motivated by self-interest and for the purpose of promoting the company's interests. If corporate charitable giving contributes to profit making then it is fully acceptable. Shareholder theory and the belief that companies should be run purely in the interests of their shareholders has been challenged over the last decade (Low and Cowton, 2004).As far back as the early 1980s, Van Auken and Ireland (1982: 1) argued that the era is past when the business community could make profit and stockholder

interests its only considerations. Agatiello (2008) argues that the notion of profit maximization as the sole objective of the firm is an observable fallacy. He argues that the nature of the firm in modern times is too complex to be explained through such a reductionist approach. Agle and Mitchell (2008: 153) found its opposing theory, stakeholder theory to be “alive, well and flourishing”.

### **2.2.2 Stakeholder Theory**

Stakeholder theory emerged as an alternative to shareholder theory (Spence et al, 2001). The term stakeholder represents a softening of strict shareholder theory (Windsor, 2001). It recognizes the fact that most, if not all firms have a large and integrated set of stakeholders (Cochran, 1994) to which they have an obligation and responsibility (Spence et al, 2001). This theory challenges the view that shareholders have a privilege over other stakeholders (Freeman and Reed, 1983). The stakeholder theory is a response to financial theories that assert that firms should focus only on maximizing the economic interests of shareholders (Orts and Schulder, 2002).

According to Kaler (2003), the stakeholder approach involves a basic reformist stance toward shareholder theory, seeking to move it in the direction of greater equity and a less single-minded concentration on owner's interests rather than replacing it entirely. Deck (1994) acknowledges the purpose of the organization is to create wealth and distribute this among investors. However, he does not limit investors to mere shareholders and includes other groups such as employees and society who make investments in organizations in the form of knowledge, skills and infrastructure.

## **2.3 The Practice of Corporate Social Responsibility**

There has been an increased interest in CSR and business managers are becoming more aware of the importance of the concept (Snider, Hill et al. 2003). Businesses have become more pervasive and powerful over the years and there are expectations that firms should be engaged in CSR activities (Smith 2003). Corporate social responsibility (CSR) is the way a corporation achieves a balance among its economic, social, and environmental responsibilities in its operations so as to address shareholder and other stakeholder expectations. CSR is a general management concern; that is, it is important to all aspects of business, and it is integrated into a corporation's operations through its values, culture, decision making, strategy, and reporting mechanisms.

According to Wood (1991, p.691), the “basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities” and that expectations are placed on business due to its three roles: as an institution in society, as a particular corporation or organization in society, and as individual managers who are moral actors within the corporation.

The principle of legitimacy refers to society's granting of legitimacy and power to business, and business's appropriate use of that power and the possibility of losing that power. Corporate social responsibility defines the institutional relationship between business and society that is expected of any corporation. The principle of public responsibility means that business is responsible for outcomes related to its areas of involvement with society.

The level of application is organizational that is, the corporation and confines business's responsibility to those problems related to a firm's activities and interest. This principle includes the view that corporations are responsible for solving the problems they create. The principle involves emphasizing each corporation's relationship to its specific social, ethical, and political environment (Wood, 1991). The principle of managerial discretion refers to managers as moral actors who are obliged to exercise such discretion as is available to them to achieve socially responsible outcomes

According to Carroll's pyramid, for CSR to be accepted by a conscientious business person, it should be framed in such a way that the entire ranges of business responsibilities are embraced. It suggests that four kinds of social responsibilities constitute total CSR; economic, legal, ethical and philanthropic. Carroll contends that all of these responsibilities have always existed to some degree, but ethical and philanthropic responsibilities have become significant only in recent years.

#### **2.4 Corporate Social Responsibility as a source of Competitive Advantage**

Ashley (2002) states that CSR is currently a source of competitive advantage that companies should employ in the quest for greater competitiveness and better results. According to Barney (1991), the creation of competitive advantage occurs through the implementation of strategies that add value and create benefits for one company when another company fails to do so. Competitive advantage can be achieved through internal resources or a group of internal resources from the firm. However, to obtain this advantage, the resources must be valuable, exploring the opportunities and neutralizing threats to the environment of the firm; rare, not being present in any rival or potential

rival company; inimitable, so that others cannot imitate them; and non-substitutable, meaning they do not have strategic equivalents (Barney, 1991). Smith (2003) argues that companies may build their competitive advantage through CSR strategies. He explains that a firm's social responsibility strategy, if genuinely and carefully conceived, should be unique. This uniqueness may serve as a basis for setting the firm apart from its competitors and, accordingly, its competitive advantage.

CSR can be used in different ways to help an organization achieve competitive advantage. For instance, Cost savings resulting from CSR has often been at the centre of the debate on the business case for CSR. Proponents of CSR argue that responsible business behaviour can lead to cost savings. An Economist Intelligence Unit research programme (Economist Intelligence Unit, 2008) indicates that the benefits of pursuing sustainable practices outweigh the costs, although changes to profits are estimated to be small. Friedman (1970) argues that there is one and only one social responsibility of business which is to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.

The environmental dimension of CSR on cost structure is huge which goes a long way in improving the competitiveness of a firm. Measures to reduce energy consumption and material inputs are frequently cited as an aspect of CSR that can lead to cost savings. According to Miles and Covin (2000), CSR-related environmental expenditures constitute investments that pay off due to cost savings from, for example, continuous improvements, low potential litigation expenditures, lower insurance and lower energy costs.

In contrast, Chapple, Morrison and Harris (2005) find significant costs associated with CSR-related waste reduction practices when applying a cost function approach to UK manufacturing at county level. CSR can have a positive impact on human resource performance. According to Cochran (2007), a firm with good employee relations can lower its employee turnover rate and improve employee motivation. Additionally, good employee relations may be an important argument for firms in attracting new staff members. Chapple et al (2005) describe how the values of founders and employees can play an important role in the growth and commercial success of a smaller enterprise. Cochran (2007) describes how the workplace dimension of CSR helps to provide a large Information Technology company with an ideal environment for high labour productivity and innovation. Greening (1997) provide evidence that a firm's performance in terms of CSR may provide a competitive advantage in attracting senior managers.

CSR can help to drive customer loyalty and demand in an organization. Typically, consumers have tended to respond positively when asked if they are willing to pay a price premium for products with good social and environmental credentials, but have then failed to act on this when actually making their purchases (Cochran, 2007). The link between CSR and competitiveness from the customer perspective is highly dependent on the company's competitive strategy and market positioning (Economist Intelligence Unit, 2008). The fact that a number of discount retailers are paying increasing attention to the social and environmental performance of their suppliers would tend to support this argument (Garriga and Melé 2004).

CSR gives competitive advantage to an organization in public procurement and private supply chains. Many enterprises, especially large enterprises, now impose social and

environmental requirements on their suppliers to observe social responsibility. The growth of business interest in supply-chain partnerships suggest that the number and seriousness of CSR-related supply chain requirements will continue to increase (Garriga and Melé 2004). This creates opportunities for supplier enterprises that, through their own CSR performance, can help buyers to live up to their social and environmental commitments. The growth of green or sustainable public procurement should similarly strengthen the competitive position of suppliers who pay particular attention to environmental issues or who are able to offer innovative environmental solutions (Economist Intelligence Unit, 2008).

Environmental management as a part of the environmental dimension of CSR, can contribute to innovation. Rennings *et al.* (2006) shows a positive link between the maturity of environmental management systems and environmental process innovation. The causal link is not always straightforward, however, and Seijas Nogareda and Ziegler (2006) argue in favour of a “complex dynamic interrelationship” between green management and corporate green technology innovations. This clearly suggests that the creation of business value will lie in providing innovative solutions that help address societal challenges. Innovation to address societal challenges is an opportunity for enterprises of all sizes as it enables an organization provides solutions to societal challenges (Garriga and Melé 2004).

CSR involves creating better workplaces, which can be more conducive to innovation. Working conditions and the treatment of employees are an important aspect of CSR.

The creation of better working environments, including placing greater trust in employees and paying more attention to employee health, well-being and quality of life, can lead to workplaces that are more conducive to innovation (Economist Intelligence Unit, 2008).

Burke and Logsdon (1996) discuss five dimensions of CSR activities that can contribute to value creation in a firm and strengthen its competitive strategy. First is centrality that measures the closeness of fit between the CSR activity and the firms' strategic objectives. Activities with high centrality are believed to have a direct impact on the firms' profitability. This view is supported by Garriga and Melé (2004), as well as Munilla and Miles (2005) suggesting that incorporating CSR in a strategic manner can lead to competitive advantage. The second dimension, specificity, refers to a firm's ability to capture the benefits of a CSR program. A firm should focus on an activity that best can benefit the firm, rather than its competitors.

In the same lines, Wood (1991) writes that managers can affect the choice of social problems that can be relevant to the firm's interests. Proactivity is the third dimension and reflects the activities that are performed in anticipation of future laws, crisis, emerging economies and technological changes. Great planning and proactive CSR activities are often a part of a firm's strategy in the competitive context. The fourth dimension, voluntarism, reflects the firm's activities performed on a voluntary basis, without excessive pressure external factors. Lastly, visibility refers to the firms' ability to gain recognition from internal and external stakeholders. The visibility of the activity can be positive and negative. In some cases, firms may be engaged in CSR activities to get positive media coverage and higher earnings.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter highlights the methodology that was adopted by the researcher in order to execute the study and realize its objectives. It includes research design, population, data collection and data analysis.

#### **3.2 Research Design**

This was a descriptive study. Mugenda and Mugenda (2003) describes descriptive research design as a systematic, empirical inquiring into which the researcher does not have a direct control of independent variable as their manifestation has already occurred or because the inherently cannot be manipulated.

The research design was chosen because of its ability to create a profile about a phenomenon. Descriptive research design is concerned with finding out about the how, who, when and where of a phenomenon so as to build a profile (Mugenda and Mugenda, 2003).

#### **3.3 Population of the Study**

The population of this study comprised all Banks that were in operation in Kenya by December 2012. According to the 2012 bank's supervision annual report prepared by the Central Bank of Kenya, there are 44 commercial banks in Kenya and are ranked based on their market share in the sector as either major, mid tier or small banks (See Appendix 1). Following the small number of commercial banks and the fact that they all have a

representative office in Nairobi, the study included all of the banks in the study hence a census.

### **3.4 Data Collection**

The study used both primary and secondary data. Primary data was collected by the help of a semi structured questionnaire. The close-ended questions provided more structured responses to facilitate tangible recommendations. The open-ended questions provided additional information that was not be captured in the close-ended questions. The questionnaire was carefully designed and tested with a few members of the population and the supervisor for further improvements. This was done in order to enhance its validity and accuracy of data to be collected for the study.

The researchers administered a questionnaire to Corporate Affairs Managers both in hard copy and soft copy as agreed with them. The questionnaires were administered in person to give a high response rate. Secondary data was collected from publications at the Central Bank of Kenya offices and website, specific Commercial banks' websites and other documentations available on CSR activities of commercial banks in Kenya.

### **3.5 Data Validity and Reliability**

Validity refers to the extent to which an instrument measures what is supposed to measure data need not only to be reliable but also true and accurate. If a measurement is valid, it is also reliable (Joppe, 2000). A pilot study was conducted to test the reliability and validity of the research. According to Orodho (2003), a pilot test helps to test the reliability and validity of data collection instruments.

The content of validity of the data collection instruments was determined through discussing the stated questions in the interview guide with the managers for the pilot. Validity was determined by the use of Content validity Index (C.V.I). C.V.I of between 0.7 and 1 shows the instruments to be valid for the study (Orodho, 2003).

Reliability refers to the consistence, stability, or dependability of the data. Whenever an investigator measures a variable, he or she wants to be sure that the measurement provides dependable and consistent results (Cooper & Schindler, 2003). To measure the reliability of the data collection instruments an internal consistency technique using Cronbach's alpha was applied to the gathered data (Mugenda & Mugenda, 2003). Cronbach's alpha is a coefficient of reliability that gives an unbiased estimate of data generalizability and an alpha coefficient of 0.60 or higher indicates that the gathered data is reliable as it has a relatively high internal consistency and can be generalized to reflect opinions of all respondents in the target population (Zinbarg, 2005).

### **3.6 Data Analysis**

After data collection, a thorough check was done on the questionnaires before coding and entering the data in software (Statistical Package for Social Sciences) for analysis. Quantitative data was analyzed by the use of descriptive statistics using SPSS and presented through percentages, means, standard deviations and frequencies. The information is presented using frequency tables and in prose-form.

## **CHAPTER FOUR**

### **DATA ANALYSIS RESULTS AND DISCUSSION**

#### **4.1 Introduction**

This chapter presents analysis and findings of the study as set out in the research methodology. The study targeted 44 respondents from which 37 filled in and returned the questionnaires making a response rate of 84.1%. This response rate was excellent and representative and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent.

#### **4.2 General Information**

The study sought to find out general information about banks including ownership, period in operations and number of employees. These findings were as presented in Table 4.1.

**Table 4.1: Bank Ownership**

	<b>Frequency</b>	<b>Percent</b>
Local public commercial bank	3	8.1%
Local private bank commercial	19	51.4%
Foreign commercial bank	15	40.5%
Total	37	100.0%

**Source: Field Data**

From the findings of the study, majority (51.4%) of the respondents indicated that their banks were local private bank commercial, 40.5% indicated that their banks were foreign commercial bank while 8.1% of the respondents indicated that their banks were Local public commercial bank. These findings show that the banks included in the study were

both local public, local private and foreign commercial banks hence the study findings are more representative of the banking industry in Kenya.

The study further sought to establish the period the banks has been in operations in Kenya. Table 4.2 presents the findings.

**Table 4.2: Period of Operation**

	Frequency	Percent
Below 10 years	11	29.7%
11-20 years	9	24.3%
21-30 years	8	21.6%
31-40 years	6	16.2%
Above 40 years	3	8.1%
Total	37	100.0%

**Source: Field Data**

From the findings of the study, 29.7% of the respondents indicated that their banks had been in operation for less than 10 years. 24.3% indicated 11-20 years, 21.6% indicated 21-30 years, and 16.2% indicated 31-40 years while 8.1% indicated that their banks had been in operation for more than 40 years. These findings show that the commercial banks involved in the study were drawn from those that had operated in Kenya for varying period of time. Several banks have been operating in Kenya for varied period. This shows that the data findings are more representative of the banking industry as it is all inclusive.

The study sought to find out the number of employees employed by commercial banks in Kenya. Table 4.3 presents the findings.

**Table 4.3: Number of Employees**

	Frequency	Percent
Less than 1000	14	37.8%
Between 1000-3000	10	27.0%
More than 3000	13	35.1%
Total	37	100.0%

**Source: Field Data**

From the findings as shown in table 4.3, 37.8% of the respondents indicated that their banks had less than 1000 employees, 35.1% indicated More than 3000 employees while 27.0% of the respondents indicated that their banks had between 1000-3000 employees. This trend of majority of banks having less than 1000 employees could be attributed to the newly establishing banks, while banks having more than three thousand employees was due to global operation of some banks. However, majority of commercial banks had more than 1000 employees which is a reflection of their expansion of services and in location where they operate.

### **4.3 CSR Strategy on Competitive Advantage**

This section presents data findings on the level of integration of CSR activities with the elements of marketing among commercial banks, effects of CSR on customer awareness of core functions and effects of CSR on the level of customer loyalty in the Banks.

#### **4.3.1 Integrated of CSR Activities with Elements of marketing**

The study inquired on whether CSR activities were integrated with elements of marketing the bank. The findings are presented in the table 4.4.

**Table 4.4: Integrated of CSR Activities with Elements of marketing**

	Frequency	Percent
Neutral	8	21.6%
Agree	18	48.6%
Strongly agree	11	29.7%
Total	37	100.0%

**Source: Field Data**

As shown in Table 4.4, 48.6% of the respondents agreed that CSR activities were integrated with some element of marketing the bank, 29.7% of the respondents strongly agreed while 21.6% of the respondents were neutral on the issue. As from the study findings, CSR activities were integrated with some element of marketing the Bank. The respondents indicated that through corporate social responsibility activities, their corporate brands resonated well with their customers. Some of the notable CSR activities by commercial banks included Standard Chartered bank's "Seeing is Believing" where they support eye sight problems among communities by helping raise money used to finance eyesight recovery.

#### **4.3.2 Customer Awareness of Core Functions**

The study sought to find out whether CSR increased customer awareness of core functions. Table 4.5 presents the findings.

**Table 4.5: Customer Awareness of Core Functions**

	Frequency	Percent
Disagree	2	5.4%
Neutral	10	27.0%
Agree	14	37.8%
Strongly agree	11	29.7%
Total	37	100.0%

**Source: Field Data**

As shown in Table 4.5, majority (37.8%) of the respondents agreed that CSR increased customer awareness of the core function of the Bank, 29.7% strongly agreed, 27.0% of the respondents' level of agreement was neutral while 5.4% of the respondents disagreed. it can therefore be deduced that CSR increased customer awareness of core functions. Through CSR activities, banks are able to articulate their product offerings to the participants hence participants get more informed of the Bank's product offerings.

The study further sought to establish whether CSR increased customer awareness of the products offered by the Banks. Table 4.6 presents the findings.

**Table 4.6: Customer Awareness of the Products Offered**

	Frequency	Percent
Neutral	6	16.2%
Agree	21	56.8%
Strongly agree	10	27.0%
Total	37	100.0%

**Source: Field Data**

As shown in table 4.6, 56.8% of the respondents agreed that CSR increased customer awareness of the products offered by the Bank, 27.0% of the respondents strongly agreed while 16.2% of the respondents of the respondents' level of agreement were neutral. This is an implication that CSR played a role in creation of awareness of products offered by Banks. Through CSR, more potential customers may want to be associated with the bank as even more start joining the Bank through opening of bank accounts and transacting through these banks hence the increased awareness of the Bank's offerings.

#### 4.3.4 Level of Customer Loyalty

The study sought to establish whether CSR had improved the level of customer loyalty in the Banks. Table 4.7 presents the findings.

**Table 4.7: Level of Customer Loyalty**

	Frequency	Percent
Disagree	14	37.8%
Neutral	5	13.5%
Agree	12	32.4%
Strongly agree	6	16.2%
Total	37	100.0%

**Source: Field Data**

As indicated in table 4.7, majority (37.8%) of the respondents indicated that CSR had improved the level of customer loyalty in their banks, 32.4% agreed, 16.2% strongly agreed while 13.5% of the respondents of the respondents' level of agreement were neutral. This implies that CSR did not improve the level of customer loyalty in general but it had some impact. In most cases, customer loyalty is based on the level of customer satisfaction which is based on the quality of services offered.

The study sought to establish whether CSR had improved the Bank's product marketability. Table 4.8 presents the findings.

**Table 4.8: Bank's Product Marketability**

	Frequency	Percent
Disagree	3	8.1%
Agree	16	43.2%
Strongly agree	18	48.6%
Total	37	100.0%

**Source: Field Data**

As indicated in table 4.8, 48.6% of the respondents strongly agreed that CSR had improved the Bank's product marketability, 43.2% agreed while 8.1% disagreed that CSR had improved the Bank's product marketability. It can be deduced that CSR had improved the Bank's product marketability. Through corporate social responsibility activities, banks interact with their potential customers hence they create a bond which may last for longer. As such it makes it easier for the banks to market their products to the community and promotes the uptake of the banking products.

#### **4.4 Bank's Products Diversification**

The study sought to establish whether CSR promoted the Bank's products diversification. The findings were as presented in table 4.9.

**Table 4.9: Bank's Products Diversification**

	Frequency	Percent
Neutral	3	8.1%
Agree	25	67.6%
Strongly agree	9	24.3%
Total	37	100.0%

**Source: Field Data**

As indicated in table 4.9, 67.6% of the respondents agreed that CSR had promoted the Bank's products diversification, 24.3% strongly agreed while 8.1% of the respondents' level of agreement on whether CSR had promoted the Bank's products diversification was neutral. This shows that CSR promoted the Bank's products diversification. Through CSR activities, commercial banks can develop different product lines which are specifically tailored for a given market. This enhances commercial banks market segmentation in its quest to increase customer base.

The study further sought to find out whether CSR had reduced the marketing costs of the Banks. The findings are presented in table 4.10.

**Table 4.10: Marketing Costs**

	Frequency	Percent
Disagree	2	5.4%
Neutral	1	2.7%
Agree	15	40.5%
Strongly agree	19	51.4%
Total	37	100.0%

**Source: Field Data**

As indicated in table 4.10, 51.4% of the respondents strongly agreed that CSR had reduced the marketing costs of the Banks, 40.5% agreed, 5.4% disagreed while 2.7% of the respondents level of agreement was neutral. This implies that CSR had positively affects the marketing costs of the Banks. Through CSR activities, commercial banks' logos and other identifying features are included on the CSR materials which play a key role in marketing the Bank and its product offerings.

The study sought to establish whether CSR activities had promoted the image of the Bank. The findings are presented in table 4.11.

**Table 4.11: Promotion of Bank Image through CSR**

	Frequency	Percent
Agree	20	54.1%
Strongly agree	17	45.9%
Total	37	100.0%

**Source: Field Data**

As shown in table 4.11, 51.4% of the respondents agreed that CSR activities had promoted the image of the Bank while 45.9% strongly agreed. This show the image of

the Bank is to a very great extent promoted by CSR activities. Through CSR activities, the community in which commercial banks operate feels appreciated hence improves their perception about the concerned bank. The community thus appreciates the activities of commercial banks which improves the image of the Bank.

#### **4.5 Employees' Perception of the Bank**

The study further sought to find out whether CSR activities had promoted the employees' perception of the Bank. Table 4.12 presents the data findings.

**Table 4.12: Employees' Perception of the Bank**

	Frequency	Percent
Neutral	16	43.2%
Agree	14	37.8%
Strongly agree	7	18.9%
Total	37	100.0%

**Source: Field Data**

As indicated in table 4.12 , majority (43.2%) of the respondents' level of agreement of whether CSR activities had promoted the employees' perception of the Banks were neutral, 37.8% agreed while 18.9% strongly disagreed. Employees are a key component of CSR activities undertaken by commercial banks. They contribute both financial and by raising ideas as concerns what activities the bank should be involved in so long as they fall within the Bank's themes on CSR. As such, CSR activities unite employees and help them socialize with their community.

The study in addition sought to find out whether CSR activities had attracted more qualified staff to the Bank. The findings are presented in table 4.13.

**Table 4.13: Attraction of More Qualified Staff**

	Frequency	Percent
Strongly disagree	9	24.3%
Disagree	16	43.2%
Neutral	7	18.9%
Agree	3	8.1%
Strongly agree	2	5.4%
Total	37	100.0%

**Source: Field Data**

As shown in table 4.13, 43.2% of the respondents disagreed that CSR activities had attracted more qualified staff to the Bank, 24.3% strongly disagreed, 18.9% were neutral, 8.1% agreed while 5.4% strongly agreed. Through CSR activities, some employees may be attracted to the bank so as to help serve their community. This thus helps commercial banks in attracting and maintaining qualified staff.

The study sought to find out whether CSR activities had attracted more customers to the Banks. The findings are presented in the table 4.14.

**Table 4.14: Attraction of More Customers**

	Frequency	Percent
Neutral	7	18.9%
Agree	17	45.9%
Strongly agree	13	35.1%
Total	37	100.0%

**Source: Field Data**

As indicated in table 4.14, majority (45.9%) of the respondents agreed that CSR activities have attracted more customers to their Banks, 35.1% strongly agreed while 18.9% of the respondents' level of agreement was neutral. This is an implication that CSR activities had attracted more customers to the Banks. As discussed earlier, banks products are

popularized to customers and potential customers during CSR activities. This popularization may earn the bank a few more customers hence the effect of CSR on customer attraction.

The study sought to find out whether CSR activities had increased the interaction of the Bank with its stakeholders. The findings are presented in table 4.15.

**Table 4.15: Interaction of the Bank with its Stakeholders**

	Frequency	Percent
Disagree	4	10.8%
Neutral	16	43.2%
Agree	14	37.8%
Strongly agree	3	8.1%
Total	37	100.0%

**Source: Field Data**

As shown in table 4.15, 43.2% of the respondents' level of agreement on whether CSR activities had increased the interaction of the Bank with its stakeholders was neutral, 37.8% agreed, 10.8% disagreed while 8.1% strongly agreed. These findings show that through CSR activities, there is interaction among stakeholders all the way from planning to execution. This promoted understanding and appreciations among stakeholder.

The study sought to find out whether CSR had promoted the relationship between the Bank and the society in which it operates. The findings are presented in the table 4.16.

**Table 4.16: Relationship between Banks and the Society**

	Frequency	Percent
Disagree	7	18.9%
Neutral	18	48.6%
Agree	11	29.7%
Strongly agree	1	2.7%
Total	37	100.0%

**Source: Field Data**

As indicated in table 4.16, 48.6% of the respondents' level of agreement on whether CSR had promoted the relationship between the Bank and the society in which it operated was neutral, 29.7% agreed, 18.9% disagreed while 2.7% strongly agreed. Through CSR activities, commercial banks strengthen their relationship with the community in which they operate.

The study sought to find out whether CSR had improved the life of the society members where the bank operated. The findings are presented in table 4.17.

**Table 4.17: Improvement of the Life of the Society Members**

	Frequency	Percent
Neutral	10	27.0%
Agree	15	40.5%
Strongly agree	12	32.4%
Total	37	100.0%

**Source: Field Data**

As shown in table 4.17, 40.5% of the respondents agreed that CSR had improved the life of the society members where the bank operated, 32.4% strongly agreed while 27.0% of the respondents' level of agreement was neutral. This implied that CSR had improved the life of the society members where the bank operated. The main reason of CSR is to improve the living standards of the community in which commercial banks operate.

The study sought to find out whether CSR activities had promoted the acceptability of the Bank's products by customers. The findings are presented in table 4.18.

**Table 4.18: Acceptability of the Bank's Products by Customers**

	Frequency	Percent
Disagree	4	10.8%
Agree	21	56.8%
Strongly agree	12	32.4%
Total	37	100.0%

**Source: Field Data**

As shown in table 4.18, 56.8% of the respondents agreed that CSR activities had promoted the acceptability of the Bank's products by customers, 32.4% disagreed while 10.8% disagreed. This showed that CSR activities had promoted the acceptability of the Bank's products by customers.

The study sought to find out whether CSR activities had reduced on the operational costs of the Banks. The findings are presented in the table 4.19.

**Table 4.19: Operational Costs**

	Frequency	Percent
Disagree	1	2.7%
Neutral	2	5.4%
Agree	25	67.6%
Strongly agree	9	24.3%
Total	37	100.0%

**Source: Field Data**

From the findings of the study, majority (67.6%) of the respondents indicated that CSR activities had reduced on the operational costs of the Bank, 24.3% strongly agreed, 5.4% were neutral and 2.7% disagree. it can be deduced that CSR activities had reduced on the operational costs of the Banks.

The study sought to find out whether CSR activities had enabled the Banks to cater for the society in which it operates. The findings are presented in table 4.20.

**Table 4.20: Catering for the Society**

	Frequency	Percent
Disagree	2	5.4%
Neutral	18	48.6%
Agree	12	32.4%
Strongly agree	5	13.5%
Total	37	100.0%

**Source: Field Data**

As indicated in table 4.20, 48.6% of the respondents' level of agreement on whether CSR activities had enabled the Bank to cater for the society in which it operates was neutral, 32.4% agreed, 13.5% strongly agreed while 5.4% disagreed.

The study also sought to establish the extent to which CSR had affected the competitiveness of the Bank. The findings are presented in table 4.21.

**Table 4.21: Extent to Which CSR Affected the Competitiveness of Banks**

	Frequency	Percent
Small extent	3	8.1%
Moderate extent	7	18.9%
Great extent	16	43.2%
Very great extent	11	29.7%
Total	37	100.0%

**Source: Field Data**

As shown in table 4.21, 43.2% of the respondents agreed to a great extent that CSR had affected the competitiveness of the Banks, 29.7% agreed to a very great extent, 18.9% agreed to a moderate extent while 8.1% agreed to a very small extent.

This is an implication that to a great extent, the level of competitiveness of Banks was enhanced by involvement in CSR.

#### 4.6 Correlation Analysis

The researcher carried out a correlation analysis to determine the correlations among the various variables of the study. The findings are show in table 4.22:

**Table 4.22: Correlation Matrix**

		Corporate Social responsibility	Years in Operation	Number of employees	Bank Ownership
Corporate Social responsibility	Pearson Correlation	1			
	Sig. (2-tailed)	.			
Years in Operation	Pearson Correlation	0.638	1		
	Sig. (2-tailed)	0.029	.		
Number of employees	Pearson Correlation	.764	.523	1	
	Sig. (2-tailed)	.017	.016	.	
Bank Ownership	Pearson Correlation	.622	.743	.597	1
	Sig. (2-tailed)	.031	.012	.028	.

**Source: Field Data**

The data presented before on CSR strategy competitiveness, Years in Operation, number of employees and bank ownership were computed into single variables per factor by obtaining the averages of each factor. Pearson's correlations analysis was then conducted at 95% confidence level and 5% confidence level 2-tailed.

Table 4.22 indicates the correlation matrix between the factors (years in operation, number of employees and Bank Ownership) and CSR competitiveness. According to the table, there is a positive relationship between CSR competitiveness and the number of years in operation, number of employees and Bank Ownership of magnitude 0.638, 0.764 and 0.622 respectively. The positive relationship indicates that there is a correlation between the factors and the CSR competitiveness. This infers that the number of employees has the highest effect on CSR competitiveness, followed by bank ownership while years in operations having the lowest effect on the CSR competitiveness among commercial Banks in Kenya.

#### **4.7 Discussion of Findings**

The study found that CSR was integrated with some element of marketing among the banks. These findings are consistent with the argument of Wood (1991) who indicated that basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities. The level of application, corporation and confines business's responsibility to those problems related to a firm's activities and interest. Smith (2003) argues that corporate social responsibility (CSR) is the way a corporation achieves a balance among its economic, social, and environmental responsibilities in its operations so as to address shareholder and other stakeholder expectations. Smith (2003) argues that companies may build their competitive advantage through CSR strategies. He explains that a firm's social responsibility strategy, if genuinely and carefully conceived, should be unique. This uniqueness may serve as a basis for setting the firm apart from its competitors and, accordingly, its competitive advantage.

The study also established that CSR promote the employees' perception of the Banks, increase the interaction of the Bank with its stakeholders, promote the relationship between the Bank and the society in which it operate as well as improving the life of the society members while promoting acceptability of the products offered by banks. According to Barney (1991), the creation of competitive advantage occurs through the implementation of strategies that add value and create benefits for one company when another company fails to do so. These findings are consistent with the argument of Smith (2003) that competitive advantage can be achieved through internal resources or a group of internal resources from the firm. The study further established that CSR increases customer awareness of the core function and products offered, improves the level of customer loyalty, improves the Bank's product marketability, diversification, reduce the marketing costs and operational cost as well as promotion of the image of the Bank.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter provided the summary of the findings from chapter four, and it also gave the conclusions and recommendations of the study based on the objectives of the study. The objective of this study is to determine the influence of Corporate Social responsibility as a strategy on the Competitive Advantage of the commercial banks in Kenya.

#### **5.2 Summary of the Findings**

The study revealed that majority of the Banks were local private bank commercial and that majority of banks had been in operation for less than 10 years comprising.

Regarding the topic of CSR strategy on competitive advantage, the respondents agreed that CSR activities were integrated with some element of marketing the bank. CSR increased customer awareness of the core function of the Bank as well as improvement of level of customer loyalty. CSR had improved the Bank's product marketability as strongly agreed by the respondents. Also CSR had promoted the Bank's products diversification. With regard to the marketing costs, the study found out that CSR had reduced the marketing costs of the Banks as the respondents strongly agreed. In addition, the study established that CSR activities reduced the marketing costs and promoted the image of the Bank. The respondents' level of agreement of whether CSR activities had promoted the employees' perception of the Banks was neutral. In addition, the study established that CSR activities had not attracted more qualified staff to the Bank.

CSR activities had attracted more customers to their Banks. On whether CSR activities had increased the interaction of the Bank with its stakeholders most of the respondents were neutral. In addition, the study found out that CSR had promoted the relationship between the Bank and the society in which it operated was neutral. The study further found out that CSR had improved the life of the society members where the bank operated as agreed upon by the respondents. In addition, the study established that CSR activities had promoted the acceptability of the Bank's products by customers as agreed upon by the respondents. The respondents indicated that CSR activities had reduced on the operational costs of the Bank. On whether CSR activities had enabled the Bank to cater for the society in which it operates was neutral while of the respondents agreed to a great extent that CSR had affected the competitiveness of the Banks.

### **5.3 Conclusion**

The study concludes that CSR is integrated with some element of marketing the banks. The study further concludes that CSR increases customer awareness of the core function and products offered, improves the level of customer loyalty, improves the Bank's product marketability, diversification, reduce the marketing costs and operational cost as well as promotion of the image of the Bank.

Further, The study concludes that CSR promote the employees' perception of the Banks, increase the interaction of the Bank with its stakeholders, promote the relationship between the Bank and the society in which it operate as well as improving the life of the society members while promoting acceptability of the products offered by banks. The study however concludes that CSR does not attract more qualified staff to the Banks.

#### **5.4 Limitations of the Study**

The respondents were reluctant in giving information fearing that the information asked would be used to intimidate them or paint a negative image about them or their banks. The researcher handled this problem by carrying an introduction letter from the University and assured the respondents that the information they gave would be treated with confidentiality and was used purely for academic purposes.

The study faced both time and financial limitations. The duration that the study was to be conducted was limited hence exhaustive and extremely comprehensive research could not be carried out. However, the researcher countered this limitation by carrying out the research across the department and management level in the organization to enable a generalization of the study findings.

#### **5.5 Implications of the Study**

The study established out that CSR was integrated with some element of marketing the banks. These findings imply that CSR initiatives can be integrated in marketing elements for maximum impact and improvement of organization returns on the investments in CSR. Through different CSR activities undertaken by commercial banks, they can create great level of awareness among customers on the product offering of the Bank. This goes a long way in promoting brand value of products.

The study also established that CSR increased customer awareness of the core function and products offered, improves the level of customer loyalty, improves the Bank's product marketability, diversification, reduce the marketing costs and operational cost as well as promotion of the image of the Bank. These findings imply that through CSR,

commercial banks can improve their customer awareness of the core functions, objectives and quality that they promise and deliver. This boosts the level of customer satisfaction with the services offered by the Banks hence higher customer loyalty. The study established that CSR had affected the competitiveness of the Banks. Through CSR activities, commercial banks can create a strong bond with their customers hence improves the bank's competitiveness. This puts the bank a head of its competitors hence creating sustainable competitive advantage

## **5.6 Recommendations**

This section covers the recommendations with policy implications and areas of further research. The recommendations with policy implications are based on research findings from which areas not covered helped in the generation of areas for further research.

### **5.6.1 Recommendations with Policy Implications**

The study found out that CSR was integrated with some element of marketing the banks; it is therefore recommended that banks should ensure that CSR activities are integrated with all element of marketing the bank. By doing this, the banks would be able to improve their image and interaction with their key stakeholders for a better relationship.

The study further found out that CSR increased customer awareness of the core function and products offered, improves the level of customer loyalty, improves the Bank's product marketability, diversification, reduce the marketing costs and operational cost as well as promotion of the image of the Bank. The study therefore recommends that the banks should adopt CSR so as to increase customer awareness of the core function and products offered, improve the level of customer loyalty, improve the Bank's product

marketability, diversification, reduce the marketing costs and operational cost as well as promotion of the image of the Bank.

The study established that CSR had affected the competitiveness of the Banks to a great extent. This study therefore recommends that CSR should be adopted in order to enhance the level of competitiveness in the banks.

### **5.6.2 Area of Further Research**

This study focused on determining the influence of Corporate Social responsibility as a strategy on the Competitive Advantage of the commercial banks. More research needs to be carried out on other small financial institutions as in Kenya so as to contribute so as to improving these institutions.

The study also recommends that another study be carried out to determine the influence of different funds initiated by the Government on the target beneficiaries. These funds include the Youth Fund and Women enterprise Fund and currently the Uwezo Fund.

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## APPENDICES

### APPENDIX I: LIST OF COMMERCIAL BANKS IN KENYA (SOURCE: CBK)

1. Africa Banking Corporation  
Bank Ltd(Kenya)
2. Bank of Africa Ltd
3. Baroda Bank Ltd
4. Bank of India Ltd
5. Barclays Bank of Kenya Ltd
6. CFC Stanbic Bank Ltd
7. CharterHouse bank Ltd
8. Chase Bank Ltd (Kenya)
9. Citibank N.A Ltd
10. Commercial Bank of Africa Ltd
11. Consolidated Bank of Kenya Ltd
12. Cooperative Bank of Kenya Ltd
13. Credit Bank Ltd
14. Development Bank of Kenya Ltd
15. Diamond Trust Bank Ltd
16. Dubai Bank Kenya Ltd
17. Ecobank Ltd
18. Equatorial Commercial Bank Ltd
19. Equity Bank Ltd
20. Family Bank Ltd
21. Fidelity Bank Limited Ltd
22. Fina Bank Ltd
23. First Community Bank Ltd
24. Giro Commercial Bank Ltd
25. Guardian Bank Ltd
26. Gulf African Bank Ltd
27. Housing Fin. Co. of Kenya Ltd
28. Habib Bank Ltd
29. Habib Bank A.G Zurich Ltd
30. I&M Bank Ltd
31. Imperial Bank Kenya Ltd
32. Jamii Bora Bank Ltd
33. Kenya Commercial Bank Ltd
34. K-Rep Bank Ltd
35. Middle East Bank Kenya Ltd
36. National Bank of Kenya Ltd
37. NIC Bank Ltd
38. Oriental Commercial Bank Ltd
39. Paramount Universal Bank Ltd
40. Prime Bank Ltd (Kenya)
41. Standard Chartered Kenya (K)  
Ltd
42. Trans National Bank Kenya Ltd
43. United Bank for Africa Ltd
44. Victoria Commercial Bank Ltd

**Source: Central Bank of Kenya (2013)**

## APPENDIX II: RESEARCH QUESTIONNAIRE

### BACKGROUND INFORMATION

Kindly answer the questionnaire by ticking in the appropriate box

### SECTION A: GENERAL INFORMATION

1. Bank Name.....
  
2. Indicate the ownership of the bank
 

Local public commercial bank	[	]
Local private bank commercial	[	]
Foreign commercial bank	[	]
  
3. Period the Bank has been in Operations
 

Below 10 years	[	]	11-20 years	[	]
21-30 years	[	]	31-40 years	[	]
Above 40 years	[	]			
  
4. How many employees does the bank have?
 

Less than 1000	[	]	Between 1000-3000	[	]
More than 3000	[	]			

### SECTION B: CSR STRATEGY ON COMPETITIVE ADVANTAGE

5. Below are various statements on corporate social responsibility on corporate reporting. On a scale of 1-5 where 1= strongly disagree, 2= disagree, 3= neutral, 4= agree and 5= strongly agree, please indicate your level of agreement with each statement

Statement	1	2	3	4	5
1. CSR activities are integrated with some element of marketing the Bank					
2. CSR increases customer awareness of the core function of the Bank					
3. CSR increases customer awareness of the products offered by the Bank					
4. CSR has improved the level of customer loyalty among our customers					
5. CSR has improved the Bank's product marketability					

6. CSR has promoted the Bank's products diversification					
7. CSR has reduced the marketing costs of the Bank					
8. CSR activities have promoted the image of the Bank					
9. CSR activities have promoted the employees' perception of the Bank					
10. CSR activities have attracted more qualified staff to the Bank					
11. CSR activities have attracted more customers to the Bank					
12. CSR activities have increased the interaction of the Bank with its stakeholders					
13. CSR has promoted the relationship between the Bank and the society in which it operates					
14. CSR has improved the life of the society members where the bank operates					
15. CSR activities reduced the marketing costs of the Bank					
16. CSR activities have promoted the acceptability of the Bank's products by customers					
17. CSR activities have reduced on the operational costs of the Bank					
18. CSR activities have enabled the Bank to cater for the society in which it operates					

19. To what extent has CSR affected the competitiveness of your Bank?

- Very great extent            [     ]
- Great extent                    [     ]
- Moderate extent               [     ]
- Small extent                    [     ]
- No extent                        [     ]

**Thank you for completing the questionnaire**

**Appendix III: Data Collection Letter from the University of Nairobi**